

twice a year to their campaign accounts or the even bigger checks to their party accounts or to the Presidential campaigns. That is who they are taking care of.

They are borrowing money from working people. They are bankrupting the country. They are undermining the future of Social Security; and now they want to pull the rug out from under kids who want to get a higher education and from seniors who need a little bit of help with medical care in their old age. They are going to pretend that they are fiscally responsible.

April Fools has come early to Congress if anybody believes that malarkey. It is just extraordinary to me, and the boys keep turning the volume up and keep listening to a little too much Rush Limbaugh over there. We are going to counter them with the facts.

The facts are they have run \$8 trillion of debt, \$27,000 for every American. They are borrowing \$1.2 billion a day to run the government; and now they want to cut essential programs, student loans, Medicare, Medicaid and other programs, to finance more tax cuts for the wealthy, more trickle down.

Our people have been trickled down on long enough, and more than enough. It is time to change the priorities around here, and that is what we are fighting to do.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Utah (Mr. BISHOP) is recognized for 5 minutes.

(Mr. BISHOP of Utah addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

ORDER OF BUSINESS

Mr. GARRETT of New Jersey. Mr. Speaker, I ask unanimous consent to claim my time at this point.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

REGULATION OF GSE'S

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. GARRETT) is recognized for 5 minutes.

Mr. GARRETT of New Jersey. Mr. Speaker, I rise tonight to discuss an important issue that could, as we know, come before the House as early as next week, and that is, the regulation of GSEs, specifically Fannie Mae and Freddie Mac, and the impact they have on homeowners or people who want to buy a new home, and a tax that it may place upon them and the risk that places to the mortgage market in this country.

Fannie Mae and Freddie Mac were chartered by Congress with the main purpose of creating a liquid secondary mortgage market in this country and

also providing essential affordable housing for lower-income families. To help them in this effort, the GSEs have a number of benefits, including exemption from State and local taxes and an ability to borrow at a discounted rate due to the implied government backing they have.

Beginning in the early 1990s, Fannie and Freddie held a combined \$12 billion, that is, 5 percent, of the single-family home mortgage market in their portfolio; but over the last 15 years, this number has grown to over \$1.5 trillion, about.

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I say "about" because I cannot give you a more specific number, because it has been years, if not longer, since anyone has known precisely what is in their books.

Fannie and Freddie realized that by keeping a portfolio of the larger portion of the mortgages they purchased and by buying back much of the MBS they issued, they could make five times as much spread as they could by simply securitizing the mortgages that they bought and selling the resulting MBS to third parties. However, by keeping a large amount of mortgages and MBS on their portfolio, Fannie and Freddie are greatly increasing their interest rate and prepayment risk, which leaves them very susceptible to interest rate changes.

To hedge against these possible interest rate changes, Fannie and Freddie use various types of derivatives to shift much of the interest rates to derivative counterparties. Hedging of this nature greatly concentrates interest-rate risk in Fannie and Freddie and a handful of large banks and investment firms, and this concentration has created what is known as a systemic risk, which Chairman Greenspan has warned about.

The best way to reduce the systemic risk for the economy is by limiting the amount of mortgages that Fannie and Freddie can hold in their own portfolio.

Now, I commend the chairmen of the committee, the gentleman from Ohio (Chairman OXLEY) and the gentleman from Louisiana (Chairman BAKER), in working to draft legislation to create a new world class regulator to oversee Fannie and Freddie. However, I believe that the House bill does not go far enough.

See, the House bill gives a new regulator the authority to dispose of any new assets or liabilities of the enterprises if the Director determines such action is consistent with safe purposes. Now, while this is a step in the right direction, I believe that stronger language is definitely necessary. I worry that a new regulator, without specific congressional direction to reduce the size of portfolios of the GSEs, will face constant political pressures from the GSEs, thus putting the possible problems that result on the backs of American taxpayers.

Now, some argue that if Fannie and Freddie portfolios are curtailed, they

will not be able to meet their affordable housing goals. But this is not the case.

As the former head of OFHEO noted just last week, "The amount of time and resources that the enterprises must dedicate to managing the risks associated with their portfolios is very substantial, and it dwarfs any marginal benefit to their affordable housing mission. In addition, the recent scandals at both companies illustrate the problems they can get themselves into as they try to manage this volatility associated with very large portfolios."

Limiting the portfolio growth is the number one priority of the administration in addressing GSE reform. Chairman Greenspan, Secretary Snow, Secretary Jackson and others have all spoken out on the need to rein in these large portfolios that exist solely to increase the profits for Fannie and Freddie executives and their shareholders.

In a speech last spring to the Federal Reserve Bank of Atlanta, Chairman Greenspan discussed the GSEs' ability to securitize mortgages and the benefits that it would have on the housing market and the health of the entire economy. He stated, "The method of GSE financing most consistent with our mission is to securitize assets first and to hold in their portfolios only those assets that are very difficult or unduly expensive to securitize." And here is the key part: "Without the needed restrictions on the size of the GSE balance sheets, we put at risk our ability to preserve safe and sound financial markets in the United States, a key ingredient of support for housing."

So in conclusion, Mr. Speaker, legislation that is coming before the House next week dealing with GSE, Fannie and Freddie reform is a good first step, but is not in the current format something that we should support. It will result in a tax on the American taxpayer, it will result in a tax on the American who is trying to buy his first house, and it will add risk to the already risky mortgage market in this country.

The SPEAKER pro tempore (Mr. Kuhl of New York). Under a previous order of the House, the gentleman from Ohio (Mr. BROWN) is recognized for 5 minutes.

(Mr. BROWN of Ohio addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

ORDER OF BUSINESS

Ms. WOOLSEY. Mr. Speaker, I ask unanimous consent to speak out of order.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.